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UNCLAS SECTION 01 OF 02 ADDIS ABABA 000247

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SUBJECT: FOREIGN INVESTORS GRAB UP MORE LAND IN ETHIOPIA

REF: 09 ADDIS ABABA 2900

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SENSITIVE BUT UNCLASSIFIED. NOT FOR INTERNET DISTRIBUTION.

11. (SBU) SUMMARY: The Government of Ethiopia's (GoE) recent high profile land deals and shift in agricultural policy (reftel) have attracted additional foreign investors to the agricultural and tourism sectors. In January, Egyptian Prime Minister Dr. Ahmed Nazif led a large delegation to Ethiopia to announce the National Bank of Egypt's lease of 49,400 acres of land to grow cereals. Press reports indicated that these cereals are headed for export to Egypt. Former Nigerian President Olusegun Obasanjo and Djiboutian President Ismael Omar Guelleh separately leased land plots to build hotels outside of Addis Ababa, while Guelleh already leases a 7,400 acre farm that started exporting wheat back to Djibouti last year. Finally, the South African private equity investment fund Agri-Vie invested USD 3.5 million in a company that is growing and processing various fruits to manufacture juice products. These juice products will primarily target the European and the Middle Eastern markets as reported by the company to Econoff. Despite the benefits of increased foreign investment, political opposition members and international critics remain skeptical about the GoE's motives and the land policy's affect on poor, rural Ethiopians. End Summary.

Egyptians Eye Investment Opportunities

12. (U) The Egyptian Prime Minister, Dr. Ahmed Nazif, led the latest charge of foreign agricultural investment during a January visit to Ethiopia. Nazif, alongside his delegation of several cabinet ministers and 26 agricultural companies, announced that the state-owned National Bank of Egypt plans to invest USD 40 million in the lease of 49,400 acres of land in the Afar region to grow cereals. Press reports stated that these cereals would be exported to Egypt despite the GoE's 2007 "temporary" export ban on all cereals that has never been formally lifted. (Note: It appears Saudi, Djiboutian, and now Egyptian investors have somehow bypassed this ban, while other investors informed Econoff that they have not been allowed to export cereal grains (reftel). End Note.) The bank is also poised to open an office in Ethiopia to serve existing and

new Egyptian projects and plans to offer credit of USD 14.6 million to six Ethiopian banks according to local press reports. (Note: the domestic banking sector is closed to foreign banks; however, other foreign banks such as Germany's Commerzbank do have offices in Ethiopia to facilitate relations with Ethiopian banks. It is unclear how the National Bank of Egypt could offer credit in Ethiopia in evident violation of banking and financial regulations. End Note.) Beyond the focus on agriculture, Nazif signed a memorandum of understanding with GoE Prime Minister Meles Zenawi to form an Ethio-Egypt Council of Commerce. Meles said during the signing ceremony that relations between Ethiopia and Egypt had evolved from distrust towards friendly cooperation. Other areas of Egyptian business interest included livestock, drug manufacturing, and hydroelectric power.

Former Nigerian President and Djiboutian President Also Invest

13. (U) Another foreign VIP seen around town and looking for land was the former president of Nigeria, Olusegun Obasanjo. Obasanjo recently leased about five acres of land near Debrezeit, Oromia region (about 50 kilometers east of Addis Ababa) to develop a hotel and tourist destination. In addition, current Djiboutian President Ismael Omar Guelleh recently acquired the right to develop about 2.5 acres of lakeside land in Debrezeit to build a hotel. This acquisition added to the 7,400 acres of farmland Guelleh leased last year in Bale, Oromia region. According to post's conversations with local agricultural business investors and press reports, this farm has already harvested wheat and other cereals for export to Djibouti.

Private Equity Fund Invests in Fruit Juice Farm

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14. (U) South African private equity fund Agri-Vie has also chosen to invest in Ethiopia's agricultural sector. The fund invested USD 3.5 million in africaJUICE, a company already in the process of establishing fruit production and processing operations when Econoff visited its 3,000 acre operation last year. The Dutch and British company representatives reported to Econoff that it plans to target the juice markets in Europe and the Middle East. The company purchased this farm (not the land) from the GoE and converted it to produce yellow passion fruit, mango, and papaya.

Critics Concerned About Rural Population

15. (U) As more reports of foreign land leases in Ethiopia surface, the GoE continues to insist local farmers will not be adversely affected by its land deals. Regarding agricultural investment, the GoE views foreign investor involvement as key to the country's move from subsistence to commercial farming (reftel). On top of any potential damage to local farmers, international and political opposition party critics cite concerns over exporting food from a country that relies so heavily on imported food aid and the perceived low wages that foreign investors pay its employees. Merara Gudina, Chairman of the Ethiopian Federal Democratic Unity Forum (a coalition of political opposition parties), accused the GoE of using its land "giveaway" policy to hold on to power and to buy diplomatic support. U.S.-based GoE opposition movement Ginbot 7 stated in a January editorial that the GoE needs to change its communist land policy and empower local farmers, who have the potential to produce a marketable surplus. The editorial further noted that any land deal that has not been agreed to by the Ethiopian people will not be honored by future elected governments.

Comment

16. (SBU) The GoE clearly needed to shift its agricultural policy in order to make effective use of its vast amounts of fertile land, and the agricultural policy mix being implemented is viewed by most experts as a step in the right direction. However, that evolving

policy is a long way from proving its worth as a vehicle for achieving the GoE's stated goals of modernizing the sector, generating foreign exchange reserves, and increasing the domestic food supply. End Comment.

YATES